

Message Text

CONFIDENTIAL

PAGE 01 KUALA 00854 010740Z

13

ACTION EA-14

INFO OCT-01 ISO-00 EB-11 IO-14 COA-02 NEA-10 FEA-02 COME-00

INT-08 TRSE-00 CIAE-00 INR-10 NSAE-00 RSC-01 AID-20

DODE-00 DRC-01 AGR-20 DLOS-06 CIEP-02 OMB-01 PM-07

NSC-10 SPC-03 SAM-01 SS-20 /164 W

----- 077621

R 280315Z FEB 74

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 6332

INFO AMEMBASSY BANGKOK

AMCONSUL HONG KONG

AMEMBASSY JAKARTA

AMEMBASSY MANILA

AMEMBASSY SINGAPORE

CINCPAC

C O N F I D E N T I A L KUALA LUMPUR 0854

CINCPAC FOR POLAD

E.O. 11652: GDS

TAGS: PFOR ECON MILI ENRG MY

SUBJ: MALAYSIA: TRENDS, PROBLEMS AND OPPORTUNITIES,
OR "I'M ALL RIGHT, JACK"

REF: ASST SECRETARY INGERSOLL LETTER TO CHARGE, DEC 20, 1973

1. SUMMARY: MALAYSIA IS CATCHING SOME OF THE
BACKWASH FROM THE WORLD-WIDE DISRUPTION OF THE ENERGY
CRISIS, BUT IN RELATIVE TERMS IS PROSPEROUS AND TRANQUIL.
THE MAIN ELEMENTS OF ITS FOREIGN POLICY ARE ALSO PROSPERING:
ASEAN COHESION; SOLIDARITY WITH THE ISLAMIC STATES; BROADENED
BASE OF DIPLOMATIC RELATIONS TO INCLUDE THE COMMUNIST
POWERS. INVESTMENT AND TRADE REPRESENTS THE MAIN
OPPORTUNITY FOR THE UNITED STATES. LAW OF THE SEA DIFFERENCES
ARE THE ONLY SIGNIFICANT PROBLEM. END SUMMARY

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 KUALA 00854 010740Z

2. TRENDS

A. AMID THE TRIBULATIONS AND DISRUPTION OF THE ENERGY CRISIS WHICH ARE DISTURBING THE WEALTHY NATIONS AND GRAVELY THREATENING MANY OF THE DEVELOPING NATIONS, MALAYSIA IS A ZONE OF PROSPERITY AND RELATIVE TRANQUILITY. THIS IS BECAUSE:

(1) THE PRICES OF RUBBER AND TIN, THE HISTORIC INDICATORS AT THE COUNTRY'S ECONOMIC HEALTH, ARE HIGH AND SHOW EVERY INDICATION OF REMAINING SO.

(2) MALAYSIA IS ON GOOD TERMS WITH THE ARAB WORLD AND HAS AN ASSURED SUPPLY OF MIDDLE EAST CRUDE.

(3) MALAYSIA IS A NET EXPORTER OF PETROLEUM, AND IS THEREFORE ABLE TO ABSORB WITHOUT MAJOR FINANCIAL DISRUPTION THE HIGHER COST OF OIL.

(4) THE GOVERNMENT COALITION IS IN FIRM CONTROL. THE STUDENTS ARE QUIET.

B. THERE ARE OF COURSE SOME PROBLEMS:

(1) INFLATION, FOR THE FIRST TIME SINCE INDEPENDENCE, HAS BECOME A SIGNIFICANT DOMESTIC ECONOMIC AND POLITICAL ISSUE. LARGE SECTORS OF THE POPULATION ARE NOT SHARING EQUALLY IN THE NATION'S GENERAL ECONOMIC PROSPERITY. WAGE DEMANDS AND LABOR UNREST ARE LIKELY.

(2) RICE SHORTAGES THREATEN. THE GOVERNMENT CANNOT COUNT ON THAILAND AND THE PRC TO SUPPLEMENT DOMESTIC PRODUCTION. FERTILIZER IS SCARCE AND A SHORTAGE OF TRUCKS WILL HANDICAP FOOD DISTRIBUTION.

(3) THE PERENNIAL COMMUNAL DIFFERENCES CONTINUE TO SIMMER BELOW THE SURFACE, WITH OCCASIONAL SPARKS FROM THE EXTREME ELEMENTS IN BOTH COMMUNITIES.

C. COMPARED TO OTHER DEVELOPING COUNTRIES, HOWEVER, MALAYSIA'S PROBLEMS ARE RELATIVELY MANAGEABLE.
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 KUALA 00854 010740Z

3. FOREIGN POLICY

A. IN THE AREA OF FOREIGN RELATIONS, MALAYSIA'S STRATEGY FOR NATIONAL SECURITY HAS THE FOLLOWING ELEMENTS:

(1) REGIONAL COHESION: MALAYSIA IS CONTINUING ITS EFFORTS TO STRENGTHEN ITS ASEAN TIES WITH PARTICULAR EMPHASIS

ON FRIENDSHIP WITH INDONESIA.

(2) MUSLIM SOLIDARITY: THE GOVERNMENT IS FOUR-SQUARE IN SUPPORT OF THE ARAB POSITION IN THE MIDDLE EAST. MALAYSIA WAS AN ACTIVE PARTICIPANT IN THE RECENT MUSLIM SUMMIT MEETING IN LAHORE AND IS ATTEMPTING TO EXERCISE LEADERSHIP IN THE ECONOMIC ASPECTS OF COOPERATION AMONG THE ISLAMIC STATES. ASSERTION OF MALAYSIA'S MUSLIM IDENTITY ALSO BRINGS THE GOVERNMENT DOMESTIC POLITICAL DIVIDENDS WITH THE MALAY COMMUNITY.

(3) A BROAD BASE OF INTERNATIONAL TIES: MALAYSIA APPEARS TO BE IN THE FINAL STAGES OF NEGOTIATIONS WITH THE PRC FOR NORMALIZATION OF RELATIONS, HAVING ALSO BROADENED ITS DIPLOMATIC TIES TO INCLUDE MOST OTHER COMMUNIST BLOC COUNTRIES.

(4) ENCOURAGEMENT OF FOREIGN INVESTMENT: THE GOVERNMENT IS ACTIVELY SEEKING FOREIGN PARTICIPATION IN THE COUNTRY'S ECONOMIC DEVELOPMENT.

(5) MODEST ADDITIONS TO ITS MILITARY STRENGTH:

THE GOM IS STRENGTHENING ITS AIR FORCE WITH THE PURCHASE OF 16 F-5 AIRCRAFT FROM THE US.

4. PROBLEMS AND OPPORTUNITIES.

A. NEUTRALIZATION: THE PRIME MINISTER HAS ENUNCIATED A GOAL OF REGIONAL NEUTRALIZATION. THIS IS A LONG TERM OBJECTIVE AND THE MALAYSIANS ARE WELL AWARE IT IS NOT IMMEDIATELY ACHIEVABLE. THE GOM'S INTEREST IN MAINTAINING THE AUSTRALIAN SQUADRON IN BUTTERWORTH, AND ITS CONTINUED

CONFIDENTIAL

PAGE 04 KUALA 00854 010740Z

SUPPORT OF THE FIVE POWER DEFENSE ARRANGEMENTS SHOW MALAYSIA'S RECOGNITION OF PRESENT DAY REALITIES. THERE IS NO NEED FOR THE US TO BE DISCONCERTED BY MALAYSIAN ADHERENCE TO NEUTRALIZATION AS A GOAL, NOR ARE OUR INTERESTS SERVED BY PUBLICLY EXPRESSED RESERVATIONS OR STATEMENTS OF DISAPPROVAL.

B. SUPPORT OF THE ARABS: FOR BOTH DOMESTIC AND FOREIGN POLICY REASONS, MALAYSIA FEELS IT MUST SHOW TOTAL SOLIDARITY WITH THE ARAB COMMUNITY IN THE MIDDLE EAST SITUATION. MALAYSIA WILL BE A MODERATING INFLUENCE AND AN ALLY OF THOSE SEEKING A COMPROMISE. WE CANNOT, HOWEVER, EXPECT ANY PUBLIC INDICATION OF SUPPORT OF THE AMERICAN POSITION IN THIS AREA.

C. LAW OF THE SEA: MALAYSIA DOES NOT AGREE WITH

OUR POSITION ON INTERNATIONAL STRAITS AND WILL BE DISPOSED TO MAKE COMMON CAUSE WITH INDONESIA AND OTHERS OF THE THIRD WORLD ON THIS ISSUE. THE RECENT US-UK DECISION TO DEVELOP DIEGO GARCIA AND INCREASE US ACTIVITY IN THE INDIAN OCEAN WILL STRENGTHEN INDONESIA AND MALAYSIAN DETERMINATION TO PRESS THEIR JOINT POSITION ON THE STRAITS OF MALACCA.

D. INVESTMENT: MALAYSIA CONTINUES TO BE AN EXTREMELY ATTRACTIVE AREA FOR AMERICAN INVESTMENT. WE SHOULD MAKE EVERY EFFORT TO STIMULATE THE GROWING INTEREST OF AMERICAN COMPANIES IN SHARING IN THE RAPID GROWTH OF THIS EXPANDING ECONOMY.
UNDERHILL

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, SUPPLIES, FOREIGN RELATIONS, LAW OF THE SEA, TRADE, POLITICAL SITUATION, COMMUNISTS, INVESTMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 28 FEB 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974KUALA00854
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: n/a
From: KUALA LUMPUR
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t1974023/aaaaacmz.tel
Line Count: 183
Locator: TEXT ON-LINE
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: ASST SECRETARY INGERSOLL LETTER TO C, HARGE, DEC 20, 1973
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 22 JUL 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22 JUL 2002 by kelleyw0>; APPROVED <14 JAN 2003 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MALAYSIA: TRENDS, PROBLEMS AND OPPORTUNITIES, OR "I'M ALL RIGHT, JACK"
TAGS: PFOR, ECON, MILI, ENRG, MY, ASEAN
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005